

# Investors back golden WPG trifecta

Winning strategy on track to yield 70,000ozpa and provide strong platform for growth. **Ngair McDiarmid reports**

**W**ITHIN MONTHS OF acquiring a mothballed South Australian gold mine, WPG Resources (ASX: WPG) is back in production, poised to develop its second gold project and proving up longer-term potential at its third.

Investors in WPG Resources can take heart from the fact that although the company flies under the radar, it looks after its shareholders.

It is also now the sole owner of a producing gold mine, is on track to have its second gold mine in production before the end of the year and sees its future in its 100%-owned, unmined 12.3 million tonne gold resource.

Executive chairman Bob Duffin, who is also the largest shareholder, successfully sold the company's iron ore assets in 2011 for A\$320 million, rewarded shareholders and then turned WPG's attention to gold in a case of perfect timing.

WPG now has what Duffin calls its "golden trifecta" – three 100%-owned gold projects in South Australia's Gawler Craton, not to mention the nearby exploration potential in its West Gawler Craton Joint Venture.

The current star of WPG's gold portfolio is the Challenger gold mine, which the company now owns outright after buying out its 50%



joint venture partner Diversified Minerals in August for A\$9 million.

The partnership had acquired Challenger in March of this year, brought the mine back into production in May and by the end of June had poured more than 3,000 ounces of gold and 188oz of silver.

Just one month into the new financial year, WPG won't have to split the proceeds of an expected 50,000 ounce per annum production after gaining 100% of the project.

"We said Challenger would produce about 50,000oz per annum this financial year and the indications at the moment are that it will meet that target," Duffin said.

"It's certainly hitting its straps in terms of production levels."

The high-grade mine had a resource in May of 945,000 tonnes at 9.11g/t gold containing 277,000oz.

Diversified has sold its interest in Challenger but its related

company, PYBAR Mining Services, remains the contractor on site and Diversified is still one of WPG's largest shareholders. Through the sale, Diversified has the potential to up its stake by exercising 25 million options, but Duffin said he would remain WPG's largest shareholder.

Buying Diversified's stake was enabled through a recent \$14.4 million capital raising consisting of an entitlement issue, placement and exercise of options, and WPG will put the bulk of the remaining funds towards bringing its second gold asset, the 20,000oz per annum Tarcoola project, into production.

WPG had acquired gold projects Tarcoola and Tunkillia in 2014 and had originally intended to bring Tarcoola into production as a standalone heap leach operation at a cost of about \$20 million.

Now that the company has acquired Challenger and its mill within trucking distance, the capital expenditure for Tarcoola has plummeted and Duffin expected capital costs of about \$5 million to get the project into production before the end of this year.

"That saves us a lot of money compared with setting up a standalone operation," he said.

"Tarcoola will be seen as a remote pit to the greater Challenger project – it adds enormous value to it."

Tarcoola's ore reserve contains 900,000 tonnes at 2.6g/t gold for 74,000oz.

Duffin said he anticipated the last of government approvals would be in place before the end of the September quarter and once they were finalised, a specialist open pit contractor was ready to start moving dirt "within days" of final approval.

WPG is finalising the acquisition of the old hospital and already owns two houses in the abandoned Tarcoola township in readiness to house contractors and staff.

"We're not entering the healthcare sector but we'll refurbish the hospital as dormitory-style accommodation," Duffin said.

"Most of the capital will be spent



on upgrading existing roads, refurbishing the hospital and providing working capital, so it's something we can fund through the proceeds of the recent raising and retained earnings from Challenger."

He said the greater Challenger project held further upside through both the on-site exploration potential and the neighbouring Western Gawler Craton Joint Venture with Tyranna Resources.

"Tyranna is the manager of the JV and they have said publicly they expect to outline a 500,000oz resource this calendar year," Duffin said.

"We met with them recently and there are all indications this will be achieved."

"All the areas within the WGCJV are within trucking distance of the Challenger plant and we are in a good position to process any ore from any projects that may be developed in the area, so there is exploration upside there as well as upside from exploration at Challenger itself."

He said the two companies had inherited the joint venture project from previous owners and he was confident they would soon have a mutually beneficial resolution to a dispute over ownership of certain exploration tenements, which did not affect the Challenger mining lease itself.

Some 70km south of Tarcoola is the larger Tunkillia project, which Duffin dubs "the third leg of the golden trifecta".

Tunkillia spans 1604sqkm and contains a 12.3 million tonne resource at 1.41g/t gold for 558,000oz and almost 1.5Moz of silver at the 223 deposit.

Assay highlights from recent exploration at the Area 51 prospect at Tunkillia earlier this year include 2m at 3.28g/t gold and 23g/t silver from 54m.

Duffin believes Tunkillia is the asset that will drive the long-term future of the company.

"It's got the potential to produce more than 70,000oz per annum of gold in its own right over seven years," he said.

"There's an enormous amount of potential there."

Now the Challenger acquisition has been completed, Duffin said some of the cash flow would be directed into further exploration at Tunkillia with a view to increasing the resource tonnage and refreshing the project's five-year-old feasibility study.

He believed WPG was flying under the radar but he expected a re-rating of its share price as it started to achieve its production goals.

In the 10 years since listing on the ASX, WPG has raised just on \$150 million from shareholders and returned \$270 million, Duffin said.

"Like getting into Australia's cricket team, you're only as good as your last innings," he said.

"But we got our century when we sold Peculiar Knob – we bought it for \$4 million and sold it for \$320 million and we gave most of that back to shareholders."

"We have a track record of being able to take a pre-development project, get it through all the regulatory and financing hurdles and in to production, and in that instance, sell at a good price."

"I'm not promising that we'll do the same with our gold assets but we've looked after shareholders before and we intend to do so again, either through increasing production, leading to a higher share price, or through dividends."

He praised managing director and CEO Martin Jacobsen, and the recently appointed chief operating officer Cornel Parshotam, who was previously head of operations at BHP Billiton's Olympic Dam, saying WPG's achievements were a team effort.

"I'm pretty confident that if we were having this conversation in 12 months' time, we would've achieved what we said we'd do at Tarcoola and have that in production at 20,000oz per annum," Duffin said.

"We'll have Challenger running like clockwork at 50,000oz per annum and I'm pretty confident we'll start to show some more good exploration results at Tunkillia as well."

"We have a good, long-life future as a gold producer and explorer with a dominant position in South Australia's Gawler Craton." ■

*The Challenger gold mine was acquired in March 2016 with the first gold pour at the end of May 2016*



**"We have a good, long-life future as a gold producer and explorer with a dominant position in South Australia's Gawler Craton"**

– BOB DUFFIN  
EXECUTIVE CHAIRMAN

## WPG RESOURCES LTD AT A GLANCE



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### DIRECTORS

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### QUOTED SHARES ON ISSUE

681.2 million, with a further 69.9 million listed options, which are deeply in-the-money

### MARKET CAP

A\$61.8 million

### MAJOR SHAREHOLDERS

Bob Duffin (7.56%)  
Jalinsons Pty Ltd (6.6%)  
CBA (6.01%)  
Diversified Minerals (4.447%)  
HSBC (4.407%)

Top: WPG hopes to produce 20,000ozpa gold from Tarcoola. Right: there is potential for Tunkillia to produce 70,000ozpa gold over 10 years

